CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 30, 2000

A bill to authorize appropriations to carry out security assistance for fiscal year 2001, and for other purposes

As ordered reported by the Senate Committee on Foreign Relations on June 28, 2000

SUMMARY

The bill would authorize $3.9 billion for foreign military financing (FMF) and other security assistance programs in 2001. It would authorize the transfer of 12 naval vessels to foreign countries and otherwise address foreign policy. Assuming appropriation of the authorized amounts, CBO estimates that implementing the bill would cost about $3.9 billion over the 2001-2005 period. Because it would not affect direct spending or receipts, the bill would not be subject to pay-as-you-go procedures.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in Table 1. The costs of this legislation fall within budget functions 150 (international affairs) and 050 (national defense).

BASIS OF ESTIMATE

The bill would affect spending subject to appropriation in two ways. In most instances, the bill would authorize program levels for 2001, and those amounts are shown in Table 2. In other instances, the bill would provide changes in areas where no program level authorization currently exists. While section 10 of Public Law 91-672 requires that appropriations for foreign assistance be authorized by law, that provision is routinely waived by foreign operations appropriation acts. Changes in authorizations are shown in Table 3 relative to the funding level for 2000.

TABLE 1. ESTIMATED BUDGETARY EFFECTS

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Security Assistance Programs						
Budget Authority [a]	4,987	0	0	0	0	0
Estimated Outlays	3,309	2,525	1,201	279	17	6
Proposed Changes						
Estimated Authorization Level	0	3,925	0	0	0	0
Estimated Outlays	0	2,192	784	859	32	7
Spending Under the Bill for Security Assistance Programs						
Estimated Authorization Level [a]	4,987	3,925	0	0	0	0
Estimated Outlays	3,309	4,717	1,985	1,138	49	13

a. The 2000 level is the amount appropriated for that year.

For this estimate, CBO assumes that the authorized amounts will be appropriated by October 1, 2000. We also assume that outlays will follow historical patterns for the affected programs except for funds for Israel (as described below).

Authorization of Program Levels

The bill would authorize appropriations for program levels in several areas.

Foreign Military Financing. The bill would authorize the appropriation of $3,627 million for FMF in 2001. Within that amount, the bill would earmark $1,980 million for Israel and require the disbursement of the funds within 30 days of their appropriation or October 31, 2000, whichever is later. Requiring early disbursement would shift outlays of $550 million into 2001 from 2002.

Other Programs. The bill would authorize appropriations of $202 million for nonproliferation and antiterrorism assistance and $65 million for international military education and training.

TABLE 2. AUTHORIZATIONS OF PROGRAM LEVELS

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
Foreign Military Financing					
Authorization Level	3,627	0	0	0	0
Estimated Outlays	2,030	716	835	27	7
Nonproliferation and Antiterrorism Assistance					
Authorization Level	202	0	0	0	0
Estimated Outlays	131	44	20	4	0
International Military Education and Training					
Authorization Level	65	0	0	0	0
Estimated Outlays	31	24	4	1	0
Naval Vessel Transaction Fund					
Estimated Authorization Level	31	0	0	0	0
Estimated Outlays	0	0	0	0	0
Total					
Estimated Authorization Level	3,925	0	0	0	0
Estimated Outlays	2,192	784	859	32	7

Naval Vessel Transaction Fund. The bill would authorize the transfer of 12 naval vessels to foreign countries. The bill would authorize the sale of four vessels by installments to be paid over a number of years. The other eight would be given away.

CBO estimates the transfers would not affect outlays because we do not expect any of the four authorized sales to take place and because there would be no forgone receipts from giving away the other eight vessels. If the government did sell the four ships in installments of more than 90 days, such sales would meet the definition of direct loans subject to the requirements of the Federal Credit Reform Act of 1990 and would require an appropriation for the cost of the subsidy, which the bill would authorize in such sums as would be necessary. CBO estimates that the subsidy authorization would amount to about $31 million based on information from the Department of Defense (DoD) and military attaches that the asking price for the four ships would be approximately $170 million dollars. Because CBO expects that the countries would prefer that their ships be produced locally, we expect that the sales of those four ships and consequent outlays and offsetting receipts would not occur. That is, we estimate no outlays from the $31 million authorization and no collections of sales receipts.

TABLE 3. CHANGES IN AUTHORIZATIONS OF APPROPRIATIONS AS COMPARED TO THE 2000 LEVELS OF APPROPRIATIONS

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
Future Funding for Israel					
Economic Support Fund					
Estimated Authorization Level	-109	-229	-349	-469	-589
Estimated Outlays	-109	-229	-349	-469	-589
Foreign Military Financing					
Estimated Authorization Level	(60)[a]	120	180	240	300
Estimated Outlays	(60)[a]	120	180	240	300
Special Drawdown Authority					
Estimated Authorization Level	50	50	50	50	50
Estimated Outlays	38	47	49	49	50
Total Changes from 2000					
Estimated Authorization Level	-59	-59	-119	-179	-239
Estimated Outlays	-71	-62	-120	-180	-239

a. The amount for 2001 is included in the authorized amounts shown in Table 2 and is not added into the total for this table.

Changes in Authorizations of Appropriations

In addition to authorizing program levels, the bill contains provisions that would lead to changes in future spending, assuming appropriations consistent with this bill, but for which no amounts are authorized or earmarked. In Table 3, those implicit changes to future funding levels are shown relative to the funding level for 2000. Because these changes relate to programs not currently authorized and not authorized in this bill, the net change in outlays shown in Table 3—totaling -$672 million over the 2001-2005 period—are not included in either Table 1 or Table 2.

Future Funding for Israel. The bill contains provisions that would combine to lower future aid to Israel. One provision would gradually eliminate grants to Israel from the economic support fund by reducing the authorization of future appropriations by $120 million a year through 2008. (In 2001, the reduction would amount to $11 million less or $109 million because of the across-the-board cut required by Public Law 106-113.) Another provision would authorize that future FMF funding for Israel be increased by $60 million each year over the same period.

Special Drawdown Authority. The bill would raise by $50 million per year the limit on the President's authority to draw upon the resources of DoD for various needs, including international emergencies. It would add antiterrorism and nonproliferation assistance to the purposes for which the special authority could be used. Other provisions of the bill would authorize the use of DoD's resources to transport excess defense articles to Mongolia and would double the tonnage limit on excess defense articles that DoD may ship on a space available basis. Assuming the appropriation of the necessary funds, CBO estimates that the provisions would increase spending by $233 million over the next five years.

PAY-AS-YOU-GO CONSIDERATIONS: None.

PREVIOUS CBO ESTIMATE

On April 6, 2000, CBO transmitted a cost estimate for S. 2382, the Technical Assistance, Trade Promotion, and Anti-Corruption Act of 2000. This bill is substantially the same as title VII of that bill. This bill, however, does not contain a section on export controls as in S. 2382, which would impose private-sector mandates and would have revenue effects. The two bills have different sections dealing with excess defense articles and transfer of obsolete articles in the war reserve stockpile for Israel, and those provisions in this bill would not affect direct spending. Finally, this bill would authorize the transfer of fewer naval vessels.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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